Supreme Court, U.S.
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No. 10-415

In The
Supreme Court of the United States

ANNE BRYANT, ELLEN BERNFELD, and GLORYVISION, LTD.,

Petitioners,

vs.

MEDIA RIGHT PRODUCTIONS, INC., DOUGLAS MAXWELL, and THE ORCHARD ENTERPRISES, INC.,

Respondents.

On Petition For A Writ Of Certiorari To The United States Court Of Appeals For The Second Circuit

PETITION FOR A WRIT OF CERTIORARI

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QUESTION PRESENTED

In lieu of actual damages and profits, the Copyright Act of 1976 allows a copyright owner to elect statutory damages for each "work" infringed. 17 U.S.C. § 504(c)(1). Where a copyright infringer makes an unauthorized digital copy of a music album, then offers individual songs from the album for sale or distribution on the Internet, are statutory damages calculated on a per-album or per-song basis?

PARTIES AND CORPORATE DISCLOSURE STATEMENT

The names of all parties are contained in the caption of this petition. Petitioner Gloryvision, Ltd. has no parent corporation and no publicly-held company owns more than 10 percent of its stock.

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Anne Bryant, Ellen Bernfeld, and Gloryvision, Ltd. respectfully petition for a writ of certiorari to review the judgment of the United States Court of Appeals for the Second Circuit.

OPINIONS BELOW

The opinion of the court of appeals (App. 1-19) is reported at 603 F.3d 135. The district court's order (App. 20-44) is unreported.

JURISDICTION

The judgment of the court of appeals was entered on April 27, 2010. On July 19, 2010, Justice Ginsburg extended the time within which to file a petition for a writ of certiorari to September 23, 2010. The jurisdiction of this Court is invoked under 28 U.S.C. § 1254(1).

STATUTES INVOLVED

17 U.S.C. § 504(c) of the Copyright Act of 1976 provides in relevant part:

> (1) Except as provided by clause (2) of this section, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all

> infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this section, all the parts of a compilation or derivative work constitute one work.
>
> (2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200.

The Copyright Act defines a "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works." *Id.* § 101. "A 'collective work' is a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting

separate and independent works in themselves, are assembled into a collective whole." *Id.*

STATEMENT OF THE CASE

Petitioners Anne Bryant and Ellen Bernfeld, both accomplished musicians and songwriters, and their record label, Gloryvision, Ltd., created and produced two music albums entitled *Songs for Dogs and the People Who Love Them* ("*Songs for Dogs*") and *Songs for Cats and the People Who Love Them* ("*Songs for Cats*"). Each of the albums had 10 individual songs. The two albums were registered with the Copyright Office, and many of the songs on the albums were separately registered.[1] App. 3, 8 n.4, 23.

On February 24, 2000, petitioners entered into an agreement with respondent Media Right Productions, Inc. ("Media Right") to market the albums. Petitioners provided Media Right with physical copies of the albums to use as samples. The agreement did not authorize Media Right to distribute or

[1] The appellate record contains copyright registrations for eight of the songs on the albums. A-099 to A-114. However, the copyright registrations for the albums themselves state that 10 of the songs from *Songs for Cats* and four of the songs from *Songs for Dogs* were individually copyrighted. A-073, A-091. Petitioners' counsel below represented that 14 of the songs were individually copyrighted. T-09. The Second Circuit decided the appeal based on the assumption "that each song on the Albums was copyrighted separately." App. 8 n.4.

make copies of the copyrighted albums or songs. App. 3, 23-24.

Several weeks earlier, Media Right had entered into an agreement with respondent The Orchard Enterprises, Inc. ("Orchard") authorizing it to distribute eleven "audio CD titles." The list of CDs included *Songs for Dogs* and *Songs for Cats*, apparently in anticipation of the Media Right agreement with petitioners. The Orchard agreement purported to give Orchard the rights to sell, distribute, and exploit the listed recordings by any and all means, including via the Internet, as well as rights to digital storage, downloading, and transmission. Pursuant to the agreement, Media Right provided Orchard with physical copies of *Songs for Dogs* and *Songs for Cats*. App. 4, 25-26.

Around April 2004, Orchard went into the business of selling digital music. Sometime thereafter, Orchard made digital copies of *Songs for Dogs* and *Songs for Cats* and began selling the albums and their individual songs online through its digital partners, including iTunes and Amazon.com. App. 4-5, 26-27.

In 2006, petitioners discovered that the albums and the individual songs were available for sale as digital downloads and for streaming (listening without downloading) on several Internet sites. The works were credited to Media Right as the artist and Orchard as the record label. Petitioners were not credited in any way. App. 5, 26-27.

Petitioners sued respondents for copyright infringement and other claims. The parties agreed to let the district court treat their summary judgment motions as a case stated. Petitioners opted to seek statutory damages under the Copyright Act. App. 5-6, 22, 32.

On April 15, 2009, the district court ruled that respondents had committed copyright infringement by making and selling digital copies of the albums and the individual songs on the albums. App. 27-32. However, the court found that Orchard's infringement was innocent. App. 37. The court further concluded that respondents Media Right and its president, Douglas Maxwell, had failed to prove their infringement was innocent, but petitioners had also failed to prove it was willful. App. 37-41.

The district court ruled that the albums were compilations, and that respondents could be held liable for only one award of statutory damages per album. App. 34-36. The court assessed statutory damages of $200 per album against Orchard and $1,000 per album jointly and severally against Media Right and Maxwell, for a total copyright award of $2,400, plus $331.06 in contract damages against Media Right. App. 41, 43.

Petitioners appealed to the Second Circuit pursuant to 28 U.S.C. § 1292(a). In a published opinion for a two-judge panel (App. 1 n.1) authored by District Judge Kimba M. Wood, sitting by designation, the Second Circuit affirmed the judgment. The court

ruled that statutory damages were properly limited to one award per album, even though respondents had sold and distributed digital copies of the individual songs separately from the albums. App. 8-14. The court relied exclusively on the last sentence of § 504(c)(1), which states that "all the parts of a compilation or derivative work constitute one work." 17 U.S.C. § 504(c)(1). The court explained: "We cannot disregard the statutory language simply because digital music has made it easier for infringers to make parts of an album available separately." App. 14.

REASONS FOR GRANTING THE PETITION

This petition presents a copyright issue of considerable importance in the modern era of digital music on the Internet. The court of appeals held that statutory damages under the Copyright Act are limited to a single award for each music album, even if the infringer makes digital copies of each of the individual songs available for sale or distribution on the Internet separately from the album. In reaching this result, the Second Circuit declined to follow the decisions of four other circuits allowing separate awards of statutory damages where the constituent parts of a larger work are themselves distinct and "viable" works with "independent economic value." App. 12-14 (declining to follow authorities from First, Ninth, Eleventh, and D.C. Circuits).

The petition should be granted to resolve this circuit conflict. S. Ct. Rule 10(a). This issue is especially critical for infringements of musical recordings. Copyright infringement of musical recordings and compositions on the Internet is a widespread problem of nationwide significance. With the demise of vinyl albums, cassette tapes, and CD recordings, and the advent of online digital music, it has become commonplace to unlink individual songs from the albums on which they are recorded and distribute them separately via the Internet. Consumers increasingly purchase and download individual songs for their personalized music libraries and playlists, rather than buying an entire album. Where a copyright infringer chooses to make individual songs available for sale or distribution on the Internet separately from the album, the statutory damages should be calculated on a per-song rather than a per-album basis. Because the songs are distinct creative works with economic value independent of the album, they should be treated as separate "works" for the purpose of assessing statutory damages. Accordingly, the Court should take the opportunity to address this timely issue and decide whether the "independent economic value" test applies to infringement of an individual song from a music album.

A. There is a Circuit Conflict

The Copyright Act authorizes an award of statutory damages "for all infringements involved in the action, with respect to any one work." 17 U.S.C.

§ 504(c)(1). This provision permits only a single penalty for multiple infringements of one work. *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C. Cir. 1990).

Although the Copyright Act does not define a "work," courts and scholars have developed a working definition for the purpose of determining statutory damages. *Walt Disney*, 897 F.2d at 569. In *Walt Disney*, the D.C. Circuit concluded that separate awards of statutory damages are available for "distinct, viable works with separate economic value and copyright lives of their own." *Id.* at 570 (ruling that Mickey Mouse and Minnie Mouse were separate "works" for purposes of statutory damages, but six copyrighted poses of the characters were not).

"The test set forth in *Walt Disney* is a functional one, with the focus on whether each expression . . . has an independent economic value and is, in itself, viable." *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106, 1116-17 (1st Cir. 1993). At least three other circuits (the First, Ninth, and Eleventh) have adopted the *Walt Disney* test in assessing statutory damages under the Copyright Act. *Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc.*, 106 F.3d 284, 295-96 (9th Cir. 1997) (holding that each infringed episode of television series could support a separate award of statutory damages because each had independent economic value and was separately viable), reversed on other grounds, 523 U.S. 340 (1998); *MCA Television Ltd. v. Feltner*, 89 F.3d 766, 769 (11th Cir. 1996) (same); *Gamma*, 11 F.3d at 1115-18 (same).

The Second Circuit acknowledged the holdings of these other circuits, but refused to follow the "independent economic value" test. App. 12-14. Instead, the court "focused on whether the plaintiff – the copyright holder – issued its works separately, or together as a unit." App. 10. Applying this "form of issuance" test, the court concluded: "Here, it is the copyright holders who issued their works as 'compilations'; they chose to issue the Albums. In this situation, the plain language of the Copyright Act limits the copyright holder's statutory damage award to one for each Album." App. 11.

The Second Circuit's refusal to follow the "independent economic value" test creates a circuit conflict. More specifically, the court's alternative "form of issuance" test conflicts with the First Circuit's decision in *Gamma* and the Eleventh Circuit's decision in *Feltner*. In *Gamma*, the defendant similarly argued that it was only liable for one award of statutory damages for infringing the copyrights of four episodes of a Chinese language television series, because the copyright holder only sold or rented the complete television series as a single product. Applying the "independent economic value" test, the First Circuit rejected this claim. *Gamma*, 11 F.3d at 1117. The court explained: "A distributor's decision to sell or rent complete sets of a series to video stores in no way indicates that each episode in the series is unable to stand alone." *Id.* In *Feltner*, the Eleventh Circuit followed *Gamma* and reached the same result. *Feltner*, 89 F.3d at 769 ("Similarly, the decision of a

distributor of television programs to sell television series as a block, rather than as individual shows, in no way indicates that each episode in a series is unable to stand alone.").

As in *Gamma* and *Feltner*, petitioners' decision to distribute their songs as part of an album in no way indicates that each song is unable to stand alone. What is important is not that the songs were originally released on an album, but that respondents chose to separate them from the album and market them individually. Respondents' own conduct establishes that the songs had independent economic value and were capable of standing on their own. The fact that many of the songs were individually copyrighted only reinforces this point. Because this is an important question of copyright law, the Court should grant review to resolve the circuit conflict.

B. The Second Circuit's Result is Not Mandated by the Statute

The Second Circuit based its decision entirely on the last sentence of § 504(c)(1), which states: "For the purposes of this section, all the parts of a compilation or derivative work constitute one work." 17 U.S.C. § 504(c)(1). Contrary to the Second Circuit's opinion, it is not self-evident that this sentence was designed to apply in these circumstances. No doubt, Congress did intend to clarify that mere infringement of a compilation would not result in multiple awards of statutory damages for the compilation and each of its

constituent parts. However, it is much less obvious that Congress intended to allow only a single award for: (1) infringement of a compilation, plus (2) a *separate and discrete* infringement of one or more of the works included in the compilation.[2]

In this case, respondents committed separate and discrete infringements of the compilation and the individual works that make up the compilation. They infringed on the compilation by making digital copies of the albums in their entirely, and they infringed on the song copyrights by making copies of the individual songs available for sale, distribution, or streaming on the Internet. *See* 17 U.S.C. § 106 (copyright holder has exclusive rights to reproduce work, distribute copies, and display or perform publicly). Although petitioners do not dispute that the single act of copying an entire album would support only one award of statutory damages, the subsequent act of making individual songs from the album available on the Internet should support an additional award for each of the songs infringed.

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[2] Because a compilation is defined as an original selection, coordination, or arrangement of materials, 17 U.S.C. § 101, a compilation copyright can only be infringed by substantial copying of the work's unique selection, coordination, or arrangement of elements. *Feist Publications, Inc. v. Rural Telephone Service Co., Inc.*, 499 U.S. 340 (1991); *see, e.g., Caffey v. Cook*, 409 F.Supp.2d 484 (S.D.N.Y. 2006) (compilation copyright in selection and ordering of 32 songs for musical show).

The cases cited by the Second Circuit do not support a contrary result. App. 11-12 n.6 (citing cases). In each of the three cited cases involving sound recordings, the only infringement at issue was copying of the complete CDs and there was no claim of a separate and discrete infringement of the individual songs on the CDs. *See Country Road Music, Inc. v. MP3.com*, 279 F.Supp.2d 325, 327, 332 (S.D.N.Y. 2003) (copying complete CDs to defendants' servers); *UMG Recordings, Inc. v. MP3.com, Inc.*, 109 F.Supp.2d 223, 225 (S.D.N.Y. 2000) (same); *Arista Records, Inc. v. Flea World, Inc.*, 2006 WL 842883, at *5-6, 21 (D.N.J. Mar. 31, 2006) (selling counterfeit CDs and cassette tapes at flea market). The other two cases did not involve sound recordings, and in neither was the infringed part of the compilation separately copyrighted. *Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279 (4th Cir. 2003) (electronic "clip art" images contained on copyrighted CD-ROM and database); *Stokes Seeds Ltd. v. Geo. W. Park Seed Co., Inc.*, 783 F.Supp. 104 (W.D.N.Y. 1991) (photographs contained in copyrighted books).

The Second Circuit's approach would also lead to absurd and unfair results. Consider the following hypothetical posed by the First Circuit in *Gamma*: "If the distributor of the *Rocky* series of motion pictures required video stores to purchase all five of the movies, or alternatively, packaged the movies as a boxed set for resale, the five movies would not suddenly become one 'work' for the purpose of damages." *Gamma*, 11 F.3d at 1117 n.9. In other words, a

copyright holder should not lose the right to recover a separate award of statutory damages for infringement of a creative work just by including it as part of a larger compilation of works. Although infringements of the compilation itself can only support a single award of statutory damages, separate and discrete infringements of the underlying works should remain separately compensable.

C. The Issue is Timely and Important

Since digital music first became available on the Internet, federal courts have been inundated with claims of copyright infringement against Internet companies with unusual names like Napster, Grokster, Aimster, and MP3.com. *See, e.g.*, *Metro-Goldwyn-Mayer Studios, Inc. v. Grokster, Ltd.*, 545 U.S. 913 (2005); *In re Aimster Copyright Litigation*, 334 F.3d 643 (7th Cir. 2003); *A&M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004 (9th Cir. 2001); *UMG Recordings, Inc. v. MP3.com, Inc.*, 109 F.Supp.2d 223 (S.D.N.Y. 2000). As digital technology has evolved over the past decade, there has been a steady consumer trend away from purchasing music albums at the local record store. A large and growing number of consumers now buy their music by downloading digital copies of songs from the Internet, both legally and illegally.

In this new era of digital downloads of individual songs, it is especially important for the governing copyright law to be clear and consistent. In particular, statutory damages serve a critical function in

cases where it is difficult to determine actual damages or profits from an infringement. *See Lauratex Textile Corp. v. Allton Knitting Mills Inc.*, 519 F.Supp. 730, 732-33 (S.D.N.Y. 1981) "Statutory damages are available in order to effectuate two purposes underlying the remedial purposes of the Copyright Act: to provide adequate compensation to the copyright holder and to deter infringement." *Frank Music Corp. v. Metro-Goldwyn-Mayer, Inc.*, 886 F.2d 1545, 1554 (9th Cir. 1989).

If allowed to stand, the Second Circuit's opinion would significantly undermine the deterrent value of statutory damages under the Copyright Act. A copyright infringer who unlawfully copied an entire album would face no additional statutory penalties for distributing individual songs from the album on the Internet. Likewise, in cases where actual damages or profits are difficult to ascertain, the Second Circuit's approach would result in inadequate compensation to copyright owners for unauthorized sales or distribution of individual songs from an album. Because this is an important and timely question of copyright law – and there is a circuit conflict – the issue warrants this Court's attention.



CONCLUSION

The petition for a writ of certiorari should be granted.

Respectfully submitted,

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603 F.3d 135

United States Court of Appeals,
Second Circuit.

Anne BRYANT, Ellen Bernfeld,
Gloryvision, Ltd., Plaintiffs-Appellants,
v.
MEDIA RIGHT PRODUCTIONS, INC.,
Douglas Maxwell, Orchard Enterprises, Inc.,
Defendants-Appellees.

Docket No. 09-2600-cv.

Argued: March 10, 2010.
Decided: April 27, 2010.

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Before LIVINGSTON, Circuit Judge, and WOOD,** District Judge.[1]

** Kimba M. Wood, of the United States District Court for the Southern District of New York, sitting by designation.

[1] The Honorable Rosemary S. Pooler, originally assigned to this panel, did not participate in the consideration of this appeal. The remaining two members of the panel, who are in agreement, have determined this matter. *See* Second Circuit Internal Operating Procedure E(b); 28 U.S.C. § 46(d); *United States v. Desimone,* 140 F.3d 457 (2d Cir.1998).

Opinion

KIMBA M. WOOD, District Judge:

Plaintiffs-Appellants appeal from an order of the United States District Court for the Southern District of New York (Young, J.) holding that Defendants-Appellees committed direct copyright infringement, and awarding Plaintiffs-Appellants statutory damages but denying them attorneys fees.

Appellants produced two copyrighted albums of music, each of which was composed of ten songs. Appellee Media Right Productions, Inc. ("Media Right") gave the albums to Appellee Orchard Enterprises, Inc. ("Orchard"), who copied and sold them without authorization. The Court awarded Appellants one statutory damage award for each album infringed by each Appellee, a total of four awards, rather than one statutory damage award for each of the songs on the albums (which would have totaled forty awards), as Appellants had sought. The Court also found that Appellants had not proven that the infringement was willful, that Orchard had proven that its infringement was innocent, and that profits from infringing sales were low; the Court thus awarded a total of only $2400 in damages. We conclude that the District Court (1) correctly awarded statutory damages for each album infringed; (2) did not commit clear error in finding that Appellants had failed to prove willfulness and that Orchard had proven its innocence; and (3) correctly calculated damages. We also conclude

that the District Court did not abuse its discretion by denying attorneys fees. Accordingly, we affirm.

I. *Background*[2]

Appellants Anne Bryant and Ellen Bernfeld are songwriters who own a record label, Appellant Gloryvision Ltd (collectively with Bryant and Bernfeld, "Appellants"). In the late 1990s, Appellants created and produced two albums, *Songs for Dogs* and *Songs for Cats* (the "Albums"). They registered the Albums with the United States Copyright Office. They also separately registered at least some of the twenty songs on the Albums.

On February 24, 2000, Appellants entered into an agreement with Media Right ("Media Right Agreement"), which authorized Media Right to market the Albums in exchange for twenty percent of the proceeds from any sales. The Agreement did not grant Media Right permission to make copies of the Albums. If Media Right needed more copies of the Albums, Appellants would provide them.

The Media Right Agreement resulted from conversations between Appellant Ellen Bernfeld ("Bernfeld") and Appellee Douglas Maxwell ("Maxwell"), President of Media Right, during which

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[2] The facts in this section are taken from the District Court's opinion, *Bryant v. Europadisk Ltd.*, 07 Civ. 3050 (WGY), 2009 WL 1059777 (S.D.N.Y. April 15, 2009).

Maxwell told Bernfeld that Media Right would be distributing music through Orchard, a music wholesaler.

Media Right entered into an agreement with Orchard on February 1, 2000 ("Orchard Agreement"). The Orchard Agreement authorized Orchard to distribute on Media Right's behalf eleven albums listed in the Agreement, two of which were the Albums (apparently in anticipation of the Media Right Agreement). The Orchard Agreement provided, in relevant part, that:

> [Media Right] grant[s] [Orchard] . . . non-exclusive rights to sell, distribute and otherwise exploit . . . [Media Right's albums] by any and all means and media (whether now known or existing in the future), including . . . throughout E-stores including . . . those via the Internet, as well as all digital storage, download and transmission rights, whether now known or existing in the future.

In the Orchard Agreement, Media Right warranted that Orchard's use of the Albums would not infringe any copyrights. Maxwell gave Orchard physical copies of the Albums, which bore copyright notices stating that the copyrights for the Albums were held by Appellants.

When Media Right entered into the Orchard Agreement in 2000, Orchard sold only physical copies of recordings. In about April 2004, however, Orchard began making digital copies of the Albums to sell

through internet-based music retailers such as iTunes. Internet customers were able to purchase and download digital copies of the Albums and individual songs on the Albums. Orchard did not inform Media Right or Appellants that it was selling digital copies of the Albums and individual songs on the Albums.

From April 1, 2002 to April 8, 2008, Orchard generated $12.14 in revenues from sales of physical copies of the Albums, and $578.91 from downloads of digital copies of the Albums and of individual songs. Media Right's share of these revenues was $413.82, of which $331.06 should have been forwarded to Appellants pursuant to the Media Right Agreement. Because the $413.82 was aggregated with other monies Orchard paid to Media Right, Media Right overlooked that it owed a portion of the payments to Appellants. Media Right, therefore, did not pay Appellants the $331.06 to which they were entitled.

In 2006, Appellants discovered that digital copies of the Albums were available online. On April 16, 2007, Appellants filed a complaint against Appellees in the Southern District of New York, alleging direct and contributory copyright infringement, and seeking statutory damages.

In 2008, Appellants and Appellees both moved for summary judgment in the case. They agreed to permit the District Court to treat the motions as a case stated. The Court conducted two evidentiary hearings before issuing its order. The Court held, in relevant part, that Appellees had committed direct

copyright infringement by making and selling digital copies of the Albums and the individual songs on the Albums.

The Court awarded Appellants statutory damages in the total amount of $2400, pursuant to Section 504 of the Copyright Act of 1976 (the "Act"). 17 U.S.C. § 504(c). The Act provides that a court can award statutory damages of not less than $750 or more than $30,000, "as the court considers just," for all infringements with respect to one work, and that all parts of a "compilation" constitute one work. 17 U.S.C. § 504(c)(1). If the infringer proves that his infringement was innocent, the court may reduce damages to an amount not less than $200. 17 U.S.C. § 504(c)(2). If the copyright holder proves that infringement was willful, the court may increase the award to no more than $150,000. *Id.*

The District Court made the following three rulings regarding damages, all of which Appellants contest on appeal.

First, the Court held that the Albums were compilations, and thus that each Appellee was liable for only one award of statutory damages per Album, rather than one award per song, as Appellants had sought. *Bryant v. Europadisk Ltd.*, 07 Civ. 3050 (WGY), 2009 WL 1059777, *6-8 (S.D.N.Y. April 15, 2009).

Second, the Court found that Orchard had proven that its infringement was innocent, and thus ordered

Orchard to pay only minimal statutory damages of $200 per Album, for a total of $400. *Id.* at *8-9.

Third, the Court found that Maxwell and Media Right had failed to prove that their infringement was innocent, but that Appellants had failed to prove that Maxwell and Media Right's infringement was willful. *Id.* The Court found that because neither side had met its burden of proof, and because Appellees' revenues from the Albums were very low, Media Right and Maxwell were jointly and severally liable for an award of only $1000 per Album, for a total of $2000. *Id.*

The Court did not award Appellants attorneys fees. Dist. Ct. Order, May 12, 2009. Accordingly, the total award to Appellants was $2400. This appeal followed.

II. *Discussion*

Appellants argue that we should vacate the District Court's statutory damage award, contending that: (1) the Court erred in refusing to grant a separate statutory damage award for each song on the Albums; (2) the Court erred in its findings on intent; and (3) the Court erred in determining the amount of damages. Appellants also argue that the Court abused its discretion by refusing to award them

attorneys' fees. We address each of these arguments in turn.[3]

A. *The District Court's Decision to Award Statutory Damages on a Per-Album Basis*

Appellants contend that the District Court erred in holding that the Albums were compilations, and thus limiting statutory damages to one award for each Album. Appellants argue that each song on the Albums qualifies as a separate work because, according to Appellants, each song is separately copyrighted,[4] and because Orchard sold the songs individually.

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[3] Appellants also argue – in one paragraph – that the Court should have awarded separate statutory damages against Maxwell. (Appellants' Br. 39.) Section 504(c)(1) provides that a copyright holder can recover a statutory damage award for all infringements of a work, for which any one infringer is liable individually, or for which two or more infringers are liable jointly and severally. 17 U.S.C. § 504(c)(1). Maxwell is the president of Media Right, and infringed Appellants' copyrights only through Media Right, not individually. Maxwell and Media Right, therefore, are jointly and severally liable for one statutory damage award for each infringed work. The District Court was correct not to award separate damages against Maxwell.

[4] Appellants contend that each song on the Albums was copyrighted separately. The District Court found that Appellants had registered all twenty of the songs on the Albums with the Copyright Office. It is not clear from the record, however, whether Appellants actually obtained a separate copyright for each song on the Albums. For the purpose of this decision, we assume that each song on the Albums was copyrighted separately.

The question of whether a work constitutes a "compilation" for the purposes of statutory damages pursuant to Section 504(c)(1) of the Copyright Act is a mixed question of law and fact. *See Gamma Audio & Video, Inc. v. Ean-Chea,* 11 F.3d 1106, 1116 (1st Cir.1993). We thus review *de novo* the District Court's decision that the Albums are "compilations." *See APL Co. PTE Ltd. v. Blue Water Shipping A/S Inc.,* 592 F.3d 108, 110 (2d Cir.2010). We conclude that the District Court's ruling was correct.

The Copyright Act allows only one award of statutory damages for any "work" infringed. 17 U.S.C. § 504(c)(1). It states that "all the parts of a compilation . . . constitute one work." *Id.* § 504(c)(1). It defines a "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship." *Id.* § 101. The term compilation includes collected works, which are defined as works "in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective work." *Id.* The Conference Report that accompanied the Act and explains many of its provisions, states that a "compilation" "results from a process of selecting, bringing together, organizing, and arranging previously existing material of all kinds, *regardless of whether . . . the individual items in the material have been or ever could have been subject to copyright.*" H.R.Rep. No.

1476, 94th Cong., 2d Sess. 162, *reprinted in* 1976 U.S.C.C.A.N. 5659 (emphasis added).

An album falls within the Act's expansive definition of compilation. An album is a collection of preexisting materials – songs – that are selected and arranged by the author in a way that results in an original work of authorship – the album. Based on a plain reading of the statute, therefore, infringement of an album should result in only one statutory damage award. The fact that each song may have received a separate copyright is irrelevant to this analysis. *See* H.R.Rep. No. 1476, 94th Cong., 2d Sess. 162, *reprinted in* 1976 U.S.C.C.A.N. 5659.

We have addressed in two previous decisions the issue of what constitutes a compilation subject to Section 504(c)(1)'s one-award restriction. *See Twin Peaks Prods., Inc. v. Publ'ns. Int'l Ltd.*, 996 F.2d 1366, 1381 (2d Cir.1993); *WB Music Corp. v. RTV Comm. Group, Inc.*, 445 F.3d 538, 541 (2d Cir.2006). In both decisions, we focused on whether the plaintiff – the copyright holder – issued its works separately, or together as a unit.

In *Twin Peaks,* the plaintiff issued each episode of a television series sequentially, each at a different time. The *defendant* printed eight teleplays from the series in one book. 996 F.2d at 1381. We held that the plaintiff could receive a separate award of statutory damages for each of the eight teleplays because the

plaintiff had issued the works separately, as independent television episodes.[5] *Id.* In *WB Music Corp.*, the plaintiff had separately issued each of thirteen songs. 445 F.3d at 541. It was the *defendant* who issued the songs in album form. *Id.* We held that the plaintiff could receive a separate statutory damage award for each song, because there was "no evidence . . . that any of the separately copyrighted works were included in a compilation authorized by the [*plaintiff*]." *Id.* (emphasis added).

Here, it is the copyright holders who issued their works as "compilations"; they chose to issue Albums. In this situation, the plain language of the Copyright Act limits the copyright holders' statutory damage award to one for each Album.[6]

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[5] We also relied on the facts that the episodes were separately written and separately produced. *Twin Peaks*, 996 F.2d at 1381. We held that, although the episodes taken together had a common plot line ("Who killed Laura Palmer?"), that did not suffice to render the episodes a "compilation." *Id.*

[6] The few district courts that have considered whether a compilation is subject to only one statutory damage award have reached the same conclusion. *See UMG Recordings, Inc. v. MP3.COM, Inc.*, 109 F.Supp.2d 223, 225 (S.D.N.Y.2000) (Rakoff, J.) (finding that where the infringed works were albums issued by the plaintiff, statutory damages should be awarded on a per-album basis); *Country Road Music, Inc. v. MP3.com, Inc.*, 279 F.Supp.2d 325, 332 (S.D.N.Y.2003); *Arista Records, Inc. v. Flea World, Inc.*, Civ. No. 03-2670, 2006 WL 842883, at *21 (D.N.J. Mar. 31, 2006); *see also Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279, 285 (4th Cir.2003) (holding that plaintiff could receive only one statutory damage award for its computer clip art software, which contained many individual pieces of clip art, because

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Appellants argue that the District Court should have allowed a statutory damage award for each song, because each song has "independent economic value": internet customers could listen to and purchase copies of each song, each of which Appellants claim was independently copyrighted. Plaintiffs point to a decision from the First Circuit, *Gamma Audio,* in which the Court held that a work that is part of a multi-part product can constitute a separate work for the purposes of statutory damages if it has "independent economic value and . . . is viable." 11 F.3d at 1116-17. Applying what that court described as a "functional" test, the court held that each episode of a television show, although released on videotape as part of a complete series, could be the subject of a separate statutory damage award because each episode *could* be rented and viewed separately. *Id.* at 1117-18. At least three other circuits have adopted the "independent economic value" test, although to date none has applied the test to an album of music. *See MCA Television Ltd. v. Feltner,* 89 F.3d 766, 769 (11th Cir.1996) (holding that each episode of a television show can be the subject of a separate statutory damage award because each episode has independent

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plaintiff had packaged and sold the clip art in one piece of software, and thus the software constituted a compilation); *Stokes Seeds Ltd. v. Geo. W. Park Seed Co.,* 783 F.Supp. 104, 106 (W.D.N.Y.1991) (holding that catalog containing many separately copyrighted photographs of plant seedlings constituted a compilation because plaintiff had assembled the photographs into a compilation (the catalog)).

economic value); *Columbia Pictures Television v. Krypton Broad. of Birmingham, Inc.*, 106 F.3d 284, 295 (9th Cir.1997) (same) (reversed on other grounds, 523 U.S. 340, 118 S.Ct. 1279, 140 L.Ed.2d 438 (1998)); *Walt Disney Co. v. Powell*, 897 F.2d 565, 569 (D.C.Cir.1990) (holding that plaintiff could not receive a separate statutory damage award for each, separate picture of Mickey Mouse and Minnie Mouse in different poses, because each picture did not have independent economic value). Appellants argue that it is particularly appropriate to apply the "independent economic value" test to music albums, because music is increasingly available in digital form, which has made it easier for infringers to break apart albums and sell the album's songs individually, as Appellees did here.

This Court has never adopted the independent economic value test, and we decline to do so in this case.[7] The Act specifically states that all parts of a

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[7] In *Robert Stigwood Group Ltd. v. O'Reilly*, we held that each separately copyrighted song from the musical *Jesus Christ Superstar* could be the subject of a separate statutory damage award because each song could "live [its] own copyright life." 530 F.2d 1096, 1104-05 (2d Cir.1976). In *Stigwood*, however, we were awarding statutory damages pursuant to the Copyright Act of 1909, which provided for a separate statutory damage award "for each infringement that was separate"; the Copyright Act of 1909 did not expressly limit the number of awards available for infringement of a compilation. *Id.* at 1102. The one-award restriction for compilations was introduced in the Copyright Act of 1976. We have previously recognized that the one-award

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compilation must be treated as one work for the purpose of calculating statutory damages. This language provides no exception for a part of a compilation that has independent economic value, and the Court will not create such an exception. *See UMG Recordings, Inc.*, 109 F.Supp.2d at 225 (stating that to award statutory damages on a per-song basis would "make a total mockery of Congress' express mandate that all parts of a compilation must be treated as a single 'work' for purposes of computing statutory damages"). We cannot disregard the statutory language simply because digital music has made it easier for infringers to make parts of an album available separately. This interpretation of the statute is consistent with the Congressional intent expressed in the Conference Report that accompanied the 1976 Copyright Act, which states that the one-award restriction applies even if the parts of the compilation are "regarded as independent works for other purposes." H.R.Rep. No. 1476, 94th Cong., 2d Sess. 162, *reprinted in* 1976 U.S.C.C.A.N. 5659, 5778.

Accordingly, we affirm the District Court's decision to treat each Album as a compilation, subject to only one award of statutory damages.

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restriction may render *Stigwood's* holding inapplicable in cases involving compilations. *See Twin Peaks*, 996 F.2d at 1381.

B. *The District Court's Decision on Intent and the Amount of Damages*

Appellants contend that the District Court erred in finding that Orchard proved that its conduct was innocent, and that Appellants failed to prove that Appellees' conduct amounted to willful infringement.

Pursuant to Section 504(c)(2) of the Copyright Act, an infringer's intent can affect the amount of statutory damages awarded: only a minimal award may be warranted where the infringement is innocent; a higher award may be warranted where the infringer acted willfully.

We review the district court's findings on intent for clear error. *See Fitzgerald Pbl'g Co. v. Baylor Pbl'g Co.*, 807 F.2d 1110, 1115 (2d Cir.1986). The burden of proving innocence is on the alleged infringer. The burden of proving willfulness is on the copyright holder. *See* 17 U.S.C. § 504(c).

1. *Innocence*

The District Court found that Orchard acted innocently because Orchard, in making digital copies, reasonably relied on two provisions of the Orchard Agreement: (1) a provision permitting Orchard to distribute the Albums "by any and all means and media . . . including digital storage, download and transmission. . . .," Orchard Agreement, Appellants App., A-174; and (2) a provision warranting that Orchard's use of the Albums in accordance with the

Agreement would not infringe any copyrights, Orchard Agreement, Appellants App., A-174.

We hold that it was not clear error for the District Court to find that it was reasonable for Orchard to believe that it had received the right to copy the Albums.

2. *Willfulness*

A copyright holder seeking to prove that a copier's infringement was willful must show that the infringer "had knowledge that its conduct represented infringement or . . . recklessly disregarded the possibility." *Twin Peaks,* 996 F.2d at 1382.

The District Court found that Appellees did not prove that Maxwell and Media Right acted willfully in infringing Appellees' copyright. The District Court found that it was not unreasonable for Maxwell not to have anticipated that Orchard would distribute digital copies of the Albums, notwithstanding that the Orchard Agreement granted Orchard the right to do so, because Orchard did not distribute digital music in 2000, when the Orchard Agreement was signed. The District Court also found credible Maxwell's testimony at the evidentiary hearing that he had never before marketed recordings that were not his own, and that, in allowing Orchard broad distribution rights, he focused only on his belief that Appellants wanted him to do everything possible to market their Albums. This testimony shows that Maxwell did not have experience marketing music owned by a third

party; that he did not fully understand the rights he had obtained under the Media Right Agreement; and that his focus was on maximizing sales of the Albums.

We hold that it was not clear error for the District Court to find that Maxwell and Media Right's infringement was not willful.

C. *The District Court's Calculation of Statutory Damages*

Appellants also argue that the statutory damages awarded by the District Court were too low. District courts "enjoy wide discretion . . . in setting the amount of statutory damages." *Fitzgerald Pbl'g Co.*, 807 F.2d at 1116. We review for clear error the District Court's factual findings supporting its determination of the appropriate level of statutory damages, and we review an award of those damages for abuse of discretion. *Lyons Partnership, L.P. v. Morris Costumes, Inc.*, 243 F.3d 789, 799 (4th Cir.2001); *see also Knitwaves, Inc. v. Lollytogs Ltd. (Inc.)*, 71 F.3d 996, 1012 (2d Cir.1995).

When determining the amount of statutory damages to award for copyright infringement, courts consider: (1) the infringer's state of mind; (2) the expenses saved, and profits earned, by the infringer; (3) the revenue lost by the copyright holder; (4) the deterrent effect on the infringer and third parties; (5) the infringer's cooperation in providing evidence concerning the value of the infringing material; and (6) the conduct and attitude of the parties. *See N.A.S.*

Impor. Corp. v. Chenson Enter., Inc., 968 F.2d 250, 252-53 (2d Cir.1992).

The District Court awarded a total of $2400 in statutory damages, based on its finding that Appellees' profits from infringing sales of the Albums and songs were meager,[8] and that the award did not need to be higher to achieve deterrence, because deterrence was effectuated here by Appellees having to pay their own attorneys fees. We hold that the District Court did not abuse its discretion in calculating statutory damages.

D. *The District Court's Decision Not to Award Attorneys' Fees*

Section 505 of the Copyright Act provides that a district court may "in its discretion . . . award a reasonable attorneys fee to the prevailing party" in a copyright action. 17 U.S.C. § 505. The District Court declined to award Appellants attorneys fees.

When determining whether to award attorneys fees, district courts may consider such factors as (1) the frivolousness of the non-prevailing party's claims or defenses; (2) the party's motivation; (3) whether the claims or defenses were objectively unreasonable; and (4) compensation and deterrence. *See Fogerty v. Fantasy, Inc.*, 510 U.S. 517, 534 n. 19, 114 S.Ct. 1023,

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[8] Appellants contended that revenues must have been higher, but offered no evidence to support their claim.

127 L.Ed.2d 455 (1994). The third factor – objective unreasonableness – should be given substantial weight. *See Matthew Bender & Co. v. West Publ'g Co.*, 240 F.3d 116, 122 (2d Cir.2001).

Here, Appellees' defenses were not objectively unreasonable. Indeed, Appellees prevailed on several important issues. Appellees also were reasonable in trying to resolve the case short of trial: Appellees made an Offer of Judgment in the amount of $3000, which Appellants rejected, in favor of continuing to demand over $1 million in damages, notwithstanding the evidence that Appellees had received less than $600 in revenues from infringing sales.

In these circumstances, the District Court did not abuse its discretion by declining to award attorneys' fees.

III. *Conclusion*

For the reasons stated above, the order of the District Court is AFFIRMED.

2009 WL 1059777

Only the Westlaw citation is currently available.
United States District Court,
S.D. New York.

Anne BRYANT, Ellen Bernfeld,
and Gloryvision, Ltd., Plaintiffs,

v.

EUROPADISK, LTD., Media Right Prods.,
Inc., Very Cool Media, Inc., Douglas
Maxwell, the Orchard Enterprises, Inc.
and Russell J. Palladino, Defendants.

No. 07 Civ 3050(WGY).

April 15, 2009.

Opinion

Memorandum and Order

WILLIAM G. YOUNG, District Judge.[1]

I. INTRODUCTION

Songwriters Anne Bryant ("Bryant") and Ellen Bernfeld ("Bernfeld") and their record label Gloryvision, LTD., (collectively, "Gloryvision") baring this claim for copyright and trademark infringement, alleging that a music wholesaler, The Orchard Enterprises, Inc. ("The Orchard"), made and distributed

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[1] Of the District of Massachusetts, sitting by designation.

digital copies of Gloryvision's copyrighted songs and that Douglas Maxwell ("Maxwell") of Media Right Productions, Inc. ("Media Right") improperly authorized it to do so. Gloryvision filed the complaint after discovering that digital downloads of its copyrighted recordings were available, sometimes for free, through several internet download services. The parties filed cross-motions for partial summary judgment as to liability and later agreed to permit the Court to treat these motions as a case stated. *See E.G. v. City Sch. Dist. of New Rochelle,* No. 07-02596-WGY, 2009 WL 773960, at *1 n. 2 (S.D.N.Y. March 16, 2009). *See also Boston Five Cents Sav. Bank v. Secretary of Dept. of Housing and Urban Dev.,* 768 F.2d 5, 11-12 (1st Cir.1985) (Breyer, J.); *Dickerson v. Prudential Life Ins. Co. of Am.,* 574 F.Supp.2d 239, 241 (D.Mass.2008).

Gloryvision filed its eight-count complaint on April 16, 2007 [Doc. No. 1], alleging: 1) trademark/service mark infringement; 2) common law trade dress infringement and unfair competition; 3) trade dress violation under the Lanham Act; 4) direct copyright infringement; 5) contributory copyright infringement; 6) breach of contract; 7) breach of fiduciary duty; and 8) unjust enrichment. On July 13, 2007, the action was dismissed without prejudice against Europadisk, LTD. On August 20, 2007, Judge Charles L. Brieant in the Southern District of New York endorsed the parties' stipulation of discontinuance as to Russell J. Paladino and Very Cool Media, Inc. without prejudice. [Doc. No. 15].

The remaining defendants – The Orchard, Media Right, and Maxwell ("the Defendants") – initially answered the complaint on October 30, 2007, [Doc. No. 19], submitting an unsigned answer prepared by the attorney who represented them until October 8, 2007. They submitted a second, signed answer on January 21, 2008. [Doc. No. 29].

After a period of discovery, Gloryvision moved on June 6, 2008 for partial summary judgment as to liability, [Doc. No. 33], supported by a memorandum of law ("Pls.Mem.") [Doc. No. 34], a statement of material facts, ("Pls.Facts") [Doc. No. 37, Attach. 1], affidavits from Bryant and Bernfeld, [Doc. No. 35-36], and several exhibits. [Doc. No. 37]. On June 20, 2008, the Defendants filed a memorandum in opposition ("Defs.Opp'n.") [Doc. No. 54] and a response to Gloryvision's statement of material facts ("Defs.Facts") [Doc. No. 47]. Gloryvision replied on June 27, 2008 ("Pls.Reply") [Doc. No. 48].

On August 4, 2008, the Defendants submitted a motion for summary judgment, [Doc. No. 50], supported by a memorandum of law ("Defs.Mem.") [Doc. No. 53], and the affidavits of Maxwell [Doc. No. 51] and Jason Pascal, the Vice President and Senior Counsel of The Orchard. [Doc. No. 52]. Gloryvision opposed the motion, ("Pls.Opp'n") [Doc. No. 45], and the Defendants replied. ("Defs.Reply") [Doc. No. 56]. The Court held a case stated hearing on March 13, 2009, and an evidentiary hearing on damages on April 13, 2009.

II. FINDINGS OF FACT

Because the parties have stipulated a record for decision, the Court may decide any significant issues of material fact and draw all reasonable inferences from the record. *See E.G. v. City Sch. Dist. of New Rochelle,* 2009 WL 773960, at *1 n. 2; *see also Boston Five Cents Sav. Bank,* 768 F.2d at 11-12.

In the late 1990s, Bryant and Bernfeld created and produced two albums, *Songs for Dogs* and *Songs for Cats.* Pls. Facts ¶ 6. They registered twenty of the album tracks with the United States Copyright Office, including the lyrics and text as well as the cover art and illustrations appearing on the albums' packaging. *Id.* ¶ 8; Bryant Declaration [Doc. No. 35] ¶¶ 10-13 and Exhibit B. They registered each album as well. *Id.* Gloryvision sold the albums in retail stores, by direct mail order, and through Amazon.com (in tangible form, not as digital downloads). Bryant Deposition [Doc. No. 53, Attach. 15] at 21-26.

Seeking to boost sales, Gloryvision, on February 24, 2000, entered into an agreement with Media Right ("Media Right Agreement") whereby Media Right received the authority to act as agent and representative on a non-exclusive basis to market the albums, Media Right Agreement [Doc. No. 35, Attach. 1]. The Media Right Agreement required Media Right, for thirty-six months, to use its "best efforts to market and promote" the recordings, in consideration of which it would receive twenty percent of all gross sales resulting from its efforts. *Id.* at 1. Media Right

was required to collect payment and "pay Gloryvision its specified share within seven days of receiving payment." *Id.* Media Right further agreed to give Gloryvision a "monthly report of marketing and promotion activities done on its behalf." *Id.* at 2. The agreement did not convey any right to make copies (physical or digital) of any of the copyrighted recordings contained within the albums. *Id.* If Media Right needed more albums, it was to request them from Gloryvision. *Id.*

One provision established the means by which Media Right would promote the recordings: "Media Right Productions will use its best efforts to market and promote these recordings to catalogues, shopping networks, internet sites, retailers, and wholesalers." *Id.* at 1. Another provision contemplated that Media Right would market the products through third party distributors and provided that Media Right would be entitled to twenty percent of the gross sales after commissions were paid to such third parties. *Id.*

In accordance with the Media Right Agreement, Media Right sought to market Gloryvision's albums, physical copies of which it had received from Gloryvision in accordance with the agreement, by direct marketing and by posting marketing materials on its own website. *See* Maxwell Affidavit [Doc. No. 51] ¶ 21. The efforts were a remarkable failure, resulting in no sales. *Id.* ¶ 22. Media Right never submitted any monthly reports of its activities. Bryant Declaration [Dec. No. 35] ¶ 22.

The Media Right Agreement resulted from conversations between songwriter Bernfeld and Maxwell, President of Media Right, during which Maxwell expressed to Bernfeld his excitement about his developing relationship with The Orchard, a music wholesaler. Maxwell Aff. [Doc. No. 51] ¶ 12. Earlier that month, on February 1, 2000, Media Right had entered into an agreement with The Orchard ("The Orchard Agreement") [Doc. No. 53 Attach. 2] authorizing The Orchard to distribute eleven "audio CD titles," seven of which were Media Right's own recordings. The list also included *Songs for Dogs* and *Songs for Cats,* apparently in anticipation of the signing of the Media Right Agreement.

To create The Orchard Agreement, Maxwell signed The Orchard's form distribution agreement, which provided, in relevant part:

> You grant to us throughout the Territory during the Sales Period the non-exclusive rights to sell, distribute and otherwise exploit any and all of your Recordings by any and all means and media (whether now known or existing in the future), including . . . throughout E-Stores including, but not limited to, those via the Internet, as well as all digital storage, download and transmission rights, whether now known or existing in the future.

See The Orchard Agreement at 2 (emphasis removed). The agreement provided that "You," Media Right in this case, warrant that the use of the recordings

would "not infringe upon the rights of any nature or any person or company." *Id.* at 3. Pursuant to the agreement, Maxwell delivered to The Orchard physical copies of Gloryvision's albums as well as his own recordings. Maxwell Affidavit [Doc. No. 51] ¶ 31.

In 2006, Bryant discovered that *Songs for Dogs* and *Songs for Cats* were available on Amazon.com and were credited not to Gloryvision but to Media Right as the artist and The Orchard as the record label. Bryant Declaration [Doc. No. 35] ¶ 27 & n. 2. Upon further investigation on the internet, Bryant discovered that Gloryvision's recordings were available as digital downloads on several downloading services, including Rhapsody.com and iTunes. *Id.* ¶ 30. For example, Rhapsody.com contained a full list of Gloryvision's copyrighted recordings, accompanied by the cover art and original character names, from which users could purchase individual tracks or could stream (listen without downloading) tracks for free as part of an introductory offer. *Id.* ¶ 31-32. The Orchard was listed as the record label and Gloryvision was not credited in any way. *Id.* ¶ 33.

When Media Right entered into the agreements with Gloryvision and The Orchard in 2000, The Orchard was in the business of selling only physical copies of musical recordings. Pl. Facts ¶ 17. Its digital sales business commenced in approximately April 2004. Sometime thereafter, The Orchard made digital copies of the Gloryvision recordings and attempted to sell them through various retailers including iTunes

and Amazon.com. Pascal Affidavit [Doc. No. 52] ¶¶ 12, 26.

With respect to Gloryvision's recordings, The Orchard had somewhat more fruitful sales results than Media Right, though still far short of any measure of commercial success. From April 1, 2002 until April 8, 2008, when it received the complaint, The Orchard generated a meager $12.14 in revenues from CD sales and $578,91 in revenues from downloads of tracks from *Songs for Cats* and *Songs for Dogs*. *Id.* ¶¶ 19, 20. Media Right's share of these revenues was $413,82, of which $331.06 should have been forwarded to Gloryvision pursuant to the Media Right Agreement. Maxwell Affidavit ¶ 36. Although Media Right received royalty checks from The Orchard, it never gave Gloryvision the $331.06 to which it was entitled. *Id.;* Pls. Facts ¶ 20.

III. RULINGS OF LAW

A. Copyright infringement

1. Infringement

To establish copyright infringement, Gloryvision must prove two elements: (1) ownership of a valid copyright, and (2) copying of constituent elements of the work that are original. *Feist Publ'ns, Inc. v. Rural Tel. Serv. Co.*, 499 U.S. 340, 361, 111 S.Ct. 1282, 113 L.Ed.2d 358 (1991). The validity of Gloryvision's copyright is not in serious dispute. *See* Pls. Opp'n at 11. With regard to the second element, Gloryvision contends that Media Right infringed its copyright

when it authorised The Orchard to make copies of the copyrighted works. *Id.* at 12-16. The Defendants respond that Media Right merely trailed compact discs to The Orchard and that the "plaintiffs should be required to cover Defendants' expenses in defending this objectively unreasonable suit." Defs. Opp'n at 9.

Gloryvision, as owner of the copyright, has exclusive authority to "reproduce the copyrighted work in copies," *see* 17 U.S.C. § 106(1), a right unaltered by the terms of the Media Right Agreement. While Media Right did not directly offend this right by itself producing copies, it authorized The Orchard to distribute Gloryvision's recordings "by any and all means and media," which led to The Orchard's sale of digital downloads. The Orchard Agreement at 2. It therefore violated Gloryvision's exclusive right to authorize the distribution of copies of its works. *See Sony Corp. of Am. v. Universal City Studios, Inc.*, 464 U.S. 417, 435, 104 S.Ct. 774, 78 L.Ed.2d 574 (1964) ("an infringer is not merely one who uses a work without authorization by the copyright owner, but also one who authorizes the use of a copyrighted work without actual authority from the copyright owner.").

The Court rejects Media Right's attempts to justify its conduct by reference to the provision in the Media Right Agreement requiring it to promote Gloryvision's recordings to, inter alia, "internet sites." *See* Media Right Agreement [Doc. 35 Attach. 1] at 1. Media Right's suggestion that it had the right to authorize The Orchard to distribute electronic copies and that its conduct was "clearly contemplated" by

the agreement, Defs. Mem. at 8, is not persuasive. In reviewing a written contract, the Court must give effect to the intent of the parties as revealed by the language they used. *See Sieden Assocs., Inc. v. ANC Holdings, Inc.*, 959 F.2d 425, 426 (2nd Cir.1992). In determining the intent of the parties, "lest form swallow substance, [the] goal must be to accord the words of the contract their fair and reasonable meaning." *Sutton v. East River Sav. Bank,* 55 N.Y.2d 550, 555, 450 N.Y.S.2d 460, 435 N.E.2d 1075 (N.Y.1932). The Court must determine as matter of law whether the provision is ambiguous, which it does by "looking within the four corners of the document, without reference to extrinsic evidence." *Chapman v. New York State Div. For Youth,* 546 F.3d 230, 236 (2nd Cir.2008).

The term "internet sites" is not ambiguous and does not extend to websites selling digital copies of songs. At the time the parties entered into the agreements, The Orchard sold physical copies only. As its Vice President explained by affidavit testimony, digital downloads of music did not become a "viable business" until iTunes was launched in approximately April 2004, long after Media Right and Gloryvision entered into contract. Pascal Affidavit ¶ 12.

Gloryvision's copyrights were infringed by The Orchard as well. There is no dispute that The Orchard made and distributed digital copies of the copyrighted recordings. Although it did so only after obtaining an explicit warrant from Media Right that use of the recordings would not infringe anyone's

rights, copyright infringement is a strict liability offense. Gloryvision "need not prove wrongful intent or culpability in order to prevail." *Faulkner v. National Geographic Soc.*, 576 F.Supp.2d 609, 613 (S.D.N.Y.2008).

Gloryvision similarly prevails on its claimed infringement of its copyrights in the albums' "associated artwork." Pls. Opp'n at 11. It has submitted Visual Art copyright registration certificates for the cover art and illustrations on *Songs for Cats* and *Songs for Dogs*, *see* [Doc. No. 35 Attach. 2], as well as screen shots printed from The Orchard's website in 2005 showing the cover art for each album and links to downloadable tracks. [Doc. No. 35 Attach. 9]. In view of Mr. Pascal's testimony that The Orchard generally converts tangible cover art into digital images and delivers them to its content resalers, *see* Pascal Deposition [Doc. No. 37 Attach 10] (Tr. 43:15-45:15), the Court draws the conclusion that The Orchard improperly copied Gloryvision's copyrighted images.

Gloryvision further contends that Media Right and The orchard contributed to the infringement of third party websites that infringed Gloryvision's copyrights by making the recordings available for sale and for streaming at no cost: "not only did Media Right and The Orchard make digital copies and distribute them, the Defendants added them to public searchable indexes, making them available on scores of digital third party websites for sale, for stream and also for free, in clear violation of [Gloryvision's] exclusive rights afforded under the Copyright statute."

Pls. Opp'n at 14-15. In support it has submitted screen shots from Amazon.com and Rhapsody.com showing that those websites sold downloads of the albums and wrongly designated the Defendants as the artist and record label. *See* Doc. No. 35 Attach. 4-6. Amazon.com identified Media Right as the artist and The Orchard as the label, and Rhapsody.com listed The Orchard as the record label. *Id.*

"[O]ne who, with knowledge of the infringing activity, induces, causes or materially contributes to the infringing conduct of another, may be held liable as a 'contributory' infringer." *Gershwin Publ'g Corp. v. Columbia Artists Mgmt., Inc.*, 443 F.2d 1159, 1162 (2nd Cir.1971). In other words, Gloryvision must prove knowledge and causation. It has failed the first element: it has not shown that the Defendants knew or had reason to know about the third parties' direct infringement. *See A & M Records, Inc. v. Napster, Inc.*, 239 F.3d 1004, 1020 (9th Cir.2001); *see also Screen Gems-Columbia Music, Inc. v. Mark-Fi Records, Inc.*, 256 F.Supp. 399, 404 (S.D.N.Y.1966) (explaining that defendant "may be held liable as one who knowingly participated in or furthered the tortious conduct" if it "had either actual or constructive knowledge" of direct infringement). The Defendants have sworn under oath that they never authorized the improper designations and that they do not know how they arose. *See* Pascal Affidavit ¶¶ 24-25; Maxwell Affidavit ¶ 43. Upon this record, there is an absence of evidence to support this aspect of Gloryvision's case, and Gloryvision has failed to "go beyond

the pleadings, and by [its] own affidavits, or by the depositions, answers to interrogatories, and admissions on file, designate specific facts showing there is a material issue for trial." *Celotex Corp. v. Catrett*, 477 U.S. 317, 324, 106 S.Ct. 2548, 91 L.Ed.2d 265 (1986) (internal quotation marks omitted). Moreover, a spreadsheet produced by The Orchard showing its online store sales of tracks from *Songs for Cats* and *Songs for Dogs* shows no purchases from either Amazon.com or Rhapsody.com. [Doc. No. 37 Attach. 11].

Even if a secondary infringer has no actual knowledge of the infringement, he "may be vicariously liable if he has the right and ability to supervise the infringing activity and also has a direct financial interest in such activities." *Gershwin*, 443 F.2d at 1162. Gloryvision contends that The Orchard is vicariously liable because its economic interests were "intertwined" with the third party websites' copyright infringement and that it "had the ability to supervise the infringing activity." Pls. Opp'n at 17. It has failed, however, to support this allegation with any record evidence.

2. Damages

The owner of a registered copyright that has been infringed may elect to recover either actual damages or statutory damages. 17 U.S.C. §§ 504(a)(1)-(2), 504(c). Gloryvision seeks statutory damages. *See* Defs. Facts ¶ 41.

The controlling statute, 17 U.S.C. § 504(c), provides in relevant part:

> (1) Except as provided by clause (2) of this subsection, the copyright owner may elect, at any time before final judgment is rendered, to recover, instead of actual damages and profits, an award of statutory damages for all infringements involved in the action, with respect to any one work, for which any one infringer is liable individually, or for which any two or more infringers are liable jointly and severally, in a sum of not less than $750 or more than $30,000 as the court considers just. For the purposes of this subsection, all the parts of a compilation or derivative work constitute one work.
>
> (2) In a case where the copyright owner sustains the burden of proving, and the court finds, that infringement was committed willfully, the court in its discretion may increase the award of statutory damages to a sum of not more than $150,000. In a case where the infringer sustains the burden of proving, and the court finds, that such infringer was not aware and had no reason to believe that his or her acts constituted an infringement of copyright, the court in its discretion may reduce the award of statutory damages to a sum of not less than $200.

17 U.S.C. § 504(c)(1)-(2). The Court enjoys "wide discretion" in setting the amount of statutory damages. *Fitzgerald Publ'g Co. v. Baylor Publ'g Co.*, 807 F.2d 1110, 1116 (2nd Cir.1936); *see also National Football*

League v. PrimeTime 24 Joint Venture, 131 F.Supp.2d 458, 472 (S.D.N.Y.2001) (Peck, M.J.) ("It is well-established that district courts have broad discretion in setting the amount of statutory damages within the minimum and maximum amounts prescribed by the Copyright Act.").

a. Number of infringements

The Second Circuit has explained that "the total number of awards of statutory damages that a plaintiff may recover in any given action depends on the number of works that are infringed and the number of individually liable infringers, regardless of the number of infringements of those works." *WB Music Corp. v. RTV Commc'n Group, Inc.*, 445 F.3d 538, 540 (2nd Cir.2006); *Venegas-Hernandez v. Sonolux Records,* 370 F.3d 183, 194 (1st Cir.2004) ("the total number of 'awards' of statutory damages that a plaintiff may recover in any given action against a single defendant depends on the number of works that are infringed and the number of individually liable infringers and is unaffected by the number of infringements of those works."). The question here is what is a "work" – each copyrighted song on *Songs for Cats* and *Songs for Dogs,* or just the albums themselves?

Two cases from the Southern District of New York have answered this question in a manner that is favorable to the Defendants here, concluding that statutory damages must be calculated on a per-album

basis rather than per-song. *See Country Road Music, Inc. v. MP3.Com. Inc.*, 279 F.Supp.2d 325, 332 (S.D.N.Y.2003) ("each CD that defendant copied to its servers constitutes one work and the basis for one statutory damage award, even though it might contain multiple copyrighted musical compositions."); *UNG Recordings, Inc. v. MP3.Com, Inc.*, 109 F.Supp.2d 223, 224-25 (S.D.N.Y.2000). Title 17 U.S.C. § 504(c) mandates this result, providing: "all the parts of a compilation or derivative work constitute one work."[2] Here, each album that The Orchard copied is a "compilation" under section 504(c)(1).[3] For the purpose of determining statutory damages, the two albums are "works" but the individual songs are not. Similarly, the albums' cover art illustrations comprise "parts" of

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[2] Title 17 U.S.C. § 101 defines the term "compilation" as "a work formed by the collection and assembling of preexisting materials or of data that are selected, coordinated, or arranged in such a way that the resulting work as a whole constitutes an original work of authorship. The term 'compilation' includes collective works." A "collective work" is "a work, such as a periodical issue, anthology, or encyclopedia, in which a number of contributions, constituting separate and independent works in themselves, are assembled into a collective whole." 17 U.S.C. § 101.

[3] These circumstances are different, of course, from cases in which a defendant combines several copyrighted songs into a single compilation and seeks to avoid multiple recoveries against it. *See WB Music Corp.*, 445 F.3d at 540-41 (awarding thirteen statutory damage awards against defendants who copied thirteen copyrighted songs onto seven distinct compact disk products); *Twin Peaks Prods, Inc. v. Publications Int'l, Ltd.*, 996 F.2d 1366 (2nd Cir.1993) (awarding eight statutory awards for copying of eight copyrighted television scripts into one book).

the compilations and not separate works. There are two "works" at issue in this case.

b. Willfulness

The infringer's state of mind is a "key" and "initial" factor in determining the appropriate statutory damage award.[4] *National Football League,* 131 F.Supp.2d at 473. If the infringements are willful, the Court may award statutory damages in an amount up to $150,000 per infringement. Section 504(c)(2). If, on the other hand, they are "innocent," the Court may award as little as $200 per infringement. *Id.* Gloryvision bears the burden of proving willfulness, while the Defendants must prove innocence. If neither sustains its burden, section 504(c)(1) applies and the Court must award a "sum of not less than $750 or more than $30,000 as the court considers just." In other words, "it is possible in the same action for a plaintiff not to be able to prove a defendant's willfullness, and, at the same time, for the defendant to be unable to show that it acted innocently."

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[4] Other factors include "the expenses saved and the profits earned by the defendant, the revenues lost by the plaintiff, the deterrent effect on the defendant and third parties, the defendant's cooperation in providing evidence concerning the value of the infringing material, and the conduct and attitude of the parties." 2 William F. Patry, *Copyright Law & Practice* at 1172-73 (1994) (fns. citing cases omitted); *see also N.A.S. Import, Corp. v. Chenson Enter., Inc.*, 968 F.2d 250, 252-53 (2nd Cir.1992); *Fitzgerald Publ'g Co. v. Baylor Publ'g Co.*, 807 F.2d 1110, 1117 (2nd Cir.1986).

Fitzgerald Publ'g Co. v. Baylor Publ'g Co., 807 F.2d 1110, 1115 (2nd Cir.1986).

An innocent infringer must prove that he "was not aware and had no reason to believe that his or her acts constituted infringement." *Eastern Am. Trio Prods., Inc. v. Tang Elec. Corp.*, 97 F.Supp.2d 395, 419 (S.D.N.Y.2000). With respect to The Orchard, the Court concludes that its infringement was innocent. The Orchard believed, based on the express warranty in The Orchard Agreement, that its distribution of the Gloryvision recordings "by any and all means and media" would "not infringe upon the rights of any nature or any person or company." The Orchard Agreement at 2. It immediately ceased its infringing conduct when made aware of Gloryvision's copyright claim. Defs. Facts ¶ 45.

With respect to Media Right, however, the Court is not persuaded. Media Right argues that Maxwell "never intended to infringe the Plaintiffs' copyrights and has never represented to anyone that he was the owner, author, or copyright holder of any of the Gloryvision Recordings." Defs. Opp'n at 8; Maxwell Affidavit ¶¶ 40-44. Maxwell testified that "[a]t the time of entering into the Orchard Agreement, [he] believed in good faith based upon the Gloryvision Agreement that all of the representations and warranties [he] agreed to in the Orchard Agreement were true and accurate to the best of [his] knowledge and [his] understanding of the Gloryvision Agreement." Maxwell Affidavit ¶ 30. Maxwell's lack of sophistication, however, does not suffice to prove his innocence.

He has failed to show he "had no reason to believe" that his acts constituted infringement. Media Right has not proved it was an "innocent" infringer.

The Court therefore must determine whether Maxwell, and thus Media Right, acted willfully. The standard for willfulness "is simply whether the defendant had knowledge that its conduct represented infringement or perhaps recklessly disregarded the possibility." *Twin Peaks Prods., Inc. v. Publications Intern., Ltd.*, 996 F.2d 1356, 1382 (2nd Cir.1993). *See also National Football League*, 131 F.Supp.2d at 474 ("'[W]illfullness' in the context of statutory damages for copyright infringement means that the infringer either had actual knowledge that it was infringing the plaintiffs' copyrights or else acted in reckless disregard of the high probability that it was infringing plaintiffs' copyrights." (quoting *UMG Recordings, Inc. v. MP3.Com, Inc.*, 00 Civ. 472, 2000 WL 1262568, at *4 (S.D.N.Y. Sept.6, 2000))). Courts have found willfulness (and the Second Circuit has affirmed) where sophisticated defendants knew or should have known that their conduct was infringing. *See Twin Peaks Prods., Inc.*, 996 F.2d at 1382 (affirming a finding of willfulness against publisher of book about copyrighted television show where district court rejected publisher's alternative arguments that it hadn't realized television show was copyrighted and that it thought book was fair use); *Fitzgerald Publ'g Co.*, 807 F.2d at 1115 (affirming finding of willfulness where defendant's internal memoranda acknowledged that it had only limited rights in comic book). There is

no evidence in this case that Maxwell knew that his conduct represented infringement.

There is a question, however, whether Maxwell, who is a composer and producer of musical recordings, recklessly disregarded the possibility of infringement. *See Island Software & Computer Serv., Inc. v. Microsoft Corp.*, 413 F.3d 257, 253 (2nd Cir.2005) (denying software retailer's motion for summary judgment, concluding that retailer's statements that particular distributor did not seem "regular" and that retailer sometimes did not examine products upon receipt from distributors "reveal willful blindness, or establish a pattern of conduct so unreasonable as to constitute reckless disregard."); *Knitwaves, Inc. v. Lollytogs*, 71 F.3d 996, 1011 (2nd Cir.1995) (concluding it was not clear error for district court to conclude that defendant recklessly disregarded possibility of infringement where it admitted that "it set out to create designs having the same 'look' and 'feel'" as plaintiff's sweaters, did not look for copyright notices on sweaters, and did not add original artwork); *Engel v. Wild Oats, Inc.*, 644 F.Supp. 1089, 1091-92 (S.D.N.Y.1986) (concluding that art director's copying of plaintiff's photograph from copyrighted book was willful because "the compelling circumstantial evidence of his reckless disregard for, if not actual knowledge of, plaintiff's rights in the photograph is sufficient to establish willfulness.").

This is not a clear cut case. On the willfulness side of the balance is Maxwell's knowledge of the music industry, as demonstrated by his testimony

that he started Media Right in 1985, more than fifteen years before entering into the agreements at issue in this case, and that he has copyrighted his own recordings. Maxwell Testimony at the Hearing on Damages (April 13, 2C09 [sic]). The Court concludes, however, that the lever of the scale tilts in Media Right's favor and that Glory-vision has not sustained its burden to prove that Media Right's conduct was willful. While Maxwell certainly had some knowledge of the industry, he testified that at the time he entered into The Orchard Agreement, he had never marketed any recordings that were not his own. And when Maxwell first provided physical copies of the Gloryvision's recordings to The Orchard and authorized it to distribute them "by all means and media (whether now known or existing in the future)," digital downloading of music did not exist. While Maxwell wrongly warranted that The Orchard's use of the recordings would "not infringe upon the rights of any nature or any person or company," Gloryvision has put forth no evidence that Maxwell in any way anticipated that the Orchard would make and sell digital copies of the albums years later. Moreover, the Court finds credible Maxwell's testimony that he believed pursuant to his conversations with Bernfeld leading up to their agreement, that the "spirit" of the agreement was "to get anything to happen of significance" for Gloryvision's recordings. Maxwell Testimony at the Hearing on Damages (April 14, 2009).

The other factors in determining the statutory award, *see* note 4, *supra,* weigh in favor of Media

Right. The profits earned by the Defendants, $591.05 in total, are not substantial, nor are the revenues lost by Gloryvision. The deterrent effect on Media Right is minimal, as its legal fees alone provide substantial deterrence.

In light of these findings and rulings, Media Right has failed to prove that it is "innocent," but Gloryvision has failed to prove that Media Right's conduct was "willful."

Accordingly, The Orchard is required to pay $200 for its infringement of each copyrighted album, for a total of $400.

Media Right is required to pay $1,000 per infringement, for a total of $2,000.

B. Trademark/Service Mark Infringement, Common Law Trade Dress Infringement, and violation of the Lanham Act (Counts 1-3)

"In order to prevail on a trademark infringement claim for . . . unregistered trademarks pursuant to 15 U.S.C. § 1125(a)(1), a plaintiff must establish that (1) it has a valid mark that is entitled to protection under the Lanham Act; and that (2) the defendant used the mark, (3) in commerce, (4) 'in connection with the sale . . . or advertising of goods or services,' 15 U.S.C. § 1114(1)(a), (5), without the plaintiff's consent." *1-800 Contacts, Inc. v. WhenU.Com, Inc.*, 414 F.3d 400, 406-07 (2nd Cir.2005). The plaintiff

must also show that defendant's use of that mark "is likely to cause confusion . . . as to the affiliation, connection, or association of [defendant] with [plaintiff], or as to the origin, sponsorship, or approval of [the defendant's] goods, services, or commercial activities by [plaintiff]." 15 U.S.C. § 1125(a)(1)(A).

The Defendants urge this Court to reject Gloryvision's trademark claim upon consideration of the first element, contending that the "Plaintiffs cannot identify any trademark, whether registered or unregistered, that was allegedly infringed." Defs. Opp'n at 9. A mark is entitled to protection when it is inherently distinctive; if the mark is "merely descriptive," 15 U.S.C. § 1052(e), it qualifies for protection only if it has acquired secondary meaning, i.e., if it "has become distinctive of the . . . goods in commerce," *id.* § 1052(f).

Gloryvision responds that its mark is inherently distinctive, explaining that "[e]ach copy of *Songs for Dogs* and *Songs for Cats* prominently displayed the Gloryvision logo and copyright notice," which marks "have developed into strong service marks and have come to indicate to consumers a product or service originating only with Plaintiffs." Pls. Opp'n at 21. It complains that the Defendants "willfully unbundled" its products and sold them without any identification of the Gloryvision marks, causing a "dilution in the value of Gloryvision's marks and reputation" and a "great burden" on its future sales. *Id.* at 21-22.

Gloryvision cannot prevail on its trademark claim here when its argument depends on the fact that the Defendants did not "use" its protected mark at all.

C. Other Claims

1. Breach of Contract

There is no dispute but that Media Right breached its contract with Gloryvision in that it failed to provide monthly reports of its activities and failed to pay Gloryvision its share of revenues obtained from The Orchard. Media Right's share of these revenues was $413.82, of which $331.06 should have been forwarded to Gloryvision pursuant to the Media Right Agreement. Gloryvision has represented to the Court that it has no additional damages on this claim. Gloryvision is entitled to $331.06.

2. Breach of Fiduciary Duty

"[W]hen parties deal at arms length in a commercial transaction, no relation of confidence or trust sufficient to find the existence of a fiduciary relationship will arise absent extraordinary circumstances." *Pan Am. Corp. v. Delta Air Lines, Inc.*, 175 B.R. 438, 511 (S.D.N.Y.1994). Gloryvision has not proven any such "extraordinary circumstances."

3. Unjust Enrichment

Recovery for unjust enrichment is barred because there was a valid and enforceable contract, *Gidatex S.r.L. v. Campaniello Imports, Ltd.*, 49 F.Supp.2d 298, 301 n. 4 (S.D.N.Y.1999).

IV. ORDER

Judgment for Gloryvision on the copyright infringement claim will enter in the amount of $400 against The Orchard and $2,000 against Media Right. On the breach of contract claim, judgment will enter against Media Right in the amount of $331.06. Judgment will enter for the Defendants with respect to Gloryvision's other claims.

The Court further orders the Defendants, within thirty days of the date of this decision, to forward a copy of this decision to any third party having a website identifying Media Right or The Orchard as artist, record label, or copyright holder of *Songs for Dogs* or *Songs for Cats*, along with a letter explaining that neither Media Right nor The Orchard holds any copyright in the albums or the individual recordings.

SO ORDERED.

OPPOSITION BRIEF

No. 10-415

OCT 27 2010

OFFICE OF THE CLERK

IN THE

Supreme Court of the United States

ANNE BRYANT, ELLEN BERNFELD, and GLORYVISION, LTD.,

Petitioners,

—v.—

MEDIA RIGHT PRODUCTIONS, INC., DOUGLAS MAXWELL, and THE ORCHARD ENTERPRISES, INC.,

Respondents.

ON PETITION FOR WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE SECOND CIRCUIT

BRIEF FOR RESPONDENTS IN OPPOSITION

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QUESTION PRESENTED

Where the Copyright Act of 1976: (i) allows only one (1) award of statutory damages per work regardless of the number of infringements; and (ii) requires that all parts of a compilation constitute one (1) work, regardless of whether the individual items are subject to individual copyrights, did the Second Circuit properly determine, following a long line of District Court cases dealing specifically with music recordings, that Congress's mandate expressly requires a per-CD or per album (referred to herein as "Per-CD Album") (as opposed to per-song) calculation of statutory damages.

CORPORATE DISCLOSURE STATEMENT

Appellee Media Right Productions Inc. (hereinafter "Media Right") has no parent corporations and no publicly held companies own 10% or more of its stock.

Appellee The Orchard Enterprises, Inc. (hereinafter "The Orchard") was acquired by Dimensional Associates, LLC in July of 2010. Dimensional Associates, LLC operates as a subsidiary of JDS Capital Management, Inc. JDS Capital Management, Inc. has no parent corporations and no publicly held companies own 10% or more of its stock.

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INTRODUCTION

There is no compelling reason for this Honorable Court to grant certiorari to Petitioners in this action. This case presents no conflict between the U.S. Courts of Appeals in their decisions, nor any important question of federal law that must be settled by this Court. *See* Rule 10 of the U.S. Sup. Ct. Rules.

The Second Circuit properly determined that the statutory language of the U.S. Copyright Act unambiguously provides for one (1) statutory infringement award for each compilation, and therefore for each music album or CD. The "independent economic value" test advocated by Petitioners is inapplicable to music albums because its application would trump the express language of Congress.

Furthermore, there is no split in the Circuit Courts. The First, Ninth, Federal and Eleventh Circuit cases cited by Petitioners in support of application of the "independent economic value" test, were guided by Second Circuit case law, and did not involve music albums. The Second Circuit properly declined to adopt the test, or apply it to music albums, because such application would contravene the language of the Copyright Act.

The Petition merely seeks to obtain a higher measure of damages for Appellants. The determination Petitioners seek is inconsistent with the Copyright Act and therefore unsound. The decision to alter the statutory damages calculation for copyright infringement rests solely with Congress. As the Second Circuit properly stated, the advent of digital music is no reason to disregard express

statutory text or the clear Congressional intent set forth in the legislative history of the Copyright Act.

CONCISE COUNTERSTATEMENT OF THE CASE

Petitioners Anne Bryant and Ellen Bernfeld ("Bernfeld") are songwriters who own the record label Petitioner Gloryvision, Ltd. ("Gloryvision"). App. 3, 23. Petitioners created two CD albums titled *Songs for Dogs* and *Songs for Cats* in the late 1990's (the "Albums"). App. 3, 23.

Seeking to boost sales, Petitioner's entered into an agreement with Respondent Media Right (the "Media Right Agreement"), which authorized Media Right to act as agent and representative to market the Albums in exchange for twenty percent (20%) of the sales proceeds. App. 3, 23. The Media Right Agreement required Media Right to use its best efforts to market and promote the recordings to catalogues, shopping networks, internet sites, retailers, and wholesalers. App. 24. The Media Right Agreement contemplated that Media Right would market the products through third party distributors. App. 24.

The Media Right Agreement resulted from conversations between Bernfeld and Respondent Douglas Maxwell, the President of Media Right, during which they discussed distribution through The Orchard—a music wholesaler. App. 4, 25.

Media Right entered into an agreement with The Orchard (the "Orchard Agreement"), which authorized The Orchard to sell, distribute, or oth-

erwise exploit the Albums, and eleven (11) of Media Right's albums, by any and all means and media (whether now existing or in the future), including through E-Stores and via Internet. App. 4, 25. The Orchard Agreement contained a warranty by Media Right that the use of the recordings by The Orchard would not infringe any rights. App. 4, 25-26.

When Media Right entered into the Orchard Agreement, The Orchard only sold physical recordings. App. 4, 26. Sometime around April 2004, The Orchard began selling digital recordings through internet-based music retailers such as iTunes, and made digital copies of the Albums and attempted to sell them further to the Orchard Agreement. App. 4-5, 26.

Media Right's marketing efforts were a remarkable failure, resulting in no sales. App. 24. The Orchard's sales of the Albums were also far short of any measure of commercial success. App. 27. From April 1, 2002 to April 8, 2008, The Orchard generated $12.14 in revenues from sales of physical copies of the Albums, and $578 from digital downloads. App. 5, 27. Media Right' share of these revenues was $413.82, of which $331.06 were to be forwarded to Gloryvision. App. 5, 27.

The Orchard sent royalty checks to Media Right, but because the $413.82 was aggregated with other monies The Orchard paid to Media Right, Media Rights overlooked that it owed $331.06 to Gloryvision. App. 5, 27.

Sometime in 2006, Petitioners discovered digital copies of the recordings online, erroneously crediting Media Right as artist and The Orchard as

the record label. App. 26. On April 16, 2007, Petitioners filed a complaint against Respondents in the Southern District Court of New York. App. 5. The Orchard and Media Right immediately ceased sales of the Albums and recordings when made aware of Gloryvision's copyright claim. App. 37.

The District Court found that The Orchard had proven that its infringement was innocent. App. 6, 37. The District Court also found that Media Right did not act willfully. App. 7, 40-41.

The District Court determined that the Albums were compilations, and therefore Respondents were each liable for one statutory damages award Per-CD Album—rather than per song, as Petitioners requested. App. 6, 34-36. The Court ordered The Orchard to pay minimal statutory damages of $200 per Album, totaling $400. App. 7, 41. The Court ordered Media Right to pay $1,000 per Album, totaling $2,000. App. 7, 41. The total statutory damages awarded by the District Court was $2,400. App. 7, 41. The District Court declined to award Petitioners' attorney's fees. App. 7.

Petitioners appealed to the U.S. Court of Appeals for the Second Circuit alleging District Court error in: (1) granting statutory damages on a Per-CD Album basis; (2) its findings on Respondents' intent; (3) determining amount of damages; and (4) refusing to award Petitioners' attorney's fees. App. 7-8. The Second Circuit affirmed the District Court's decision with respect to each of the foregoing findings. App. 14-19.

With respect to willfulness, the Second Circuit held that "it was not clear error for the District

Court to find that it was reasonable for The Orchard to believe that it had received the right to copy the albums." App. 16. The Second Circuit further held that "it was not clear error for the District Court to find that Maxwell and Media Right's infringement was not willful. App. 17.

The Second Circuit also held that "the District Court did not abuse its discretion in calculating statutory damages" of $2,400 "based in its finding that Appellees' profits from infringing sales of the albums did not need to be higher to achieve deterrence." App. 18-19. With respect to attorney's fees, the Second Circuit held that the District Court did not abuse its discretion by declining to award them. App. 19.

The Second Circuit affirmed the District Court's treatment of each Album as a compilation, subject to one award of statutory damages. App. 14. The Court determined that "[b]ased on a plain reading of the statute . . . infringement of an album should result in only one statutory damage award" and "[t]he fact that each song may have received a separate copyright is irrelevant to this analysis." App. 10.

The Second Circuit reasoned that "[a]n album falls within the [Copyright] Act's expansive definition of compilation" since it "is a collection of preexisting materials - songs - that are selected and arranged by the author in a way that results in an original work of authorship - the album." App. 10. And, the Court noted, Section 504(c)(1) of the Copyright Act states that "all the parts if a compilation . . . constitute one work"—that can receive "only one award of statutory damages." App. 9.

The Second Circuit distinguished *Twin Peaks Prods., Inc. v. Publ'ns Int'l Ltd.*, 996 F.2d 1366 (2d. Cir. 2006) because "[h]ere, it is the copyright holders who issue their works as 'compilations' [and] chose to issue Albums." App. 10-11. It found that "[i]n this situation, the plain language of the Copyright Act limits the copyright holders' statutory damage award to one for each Album." App. 11.

The Second Circuit considered the "independent economic value" test advocated by Petitioners, observing that no Circuit Courts have applied the test to music albums. App. 12. It stated that "[t]his Court has never adopted the independent economic value test, and we decline to do so in this case." App. 13. In rejecting the test, the Second Circuit explained:

> The Act specifically states that all parts of a compilation must be treated as one work for the purpose of calculating statutory damages. This language provides no exception for a part of compilation that has independent economic value, and the Court will not create such exception.
>
> We cannot disregard the statutory language simply because digital music has made it easier for infringers to make parts of an album available separately. This interpretation of the statute is consistent with Congressional intent expressed in the Conference Report that accompanied the 1976 Copyright Act, which states that the one-award restriction applies even if

> the parts of the compilation are "regarded as independent works for other purposes."

App. 13-14.

The Second Circuit affirmed the District Court's judgment. App. 19. Petitioners' petition for a writ of certiorari followed.

ARGUMENT IN OPPOSITION TO PETITION

A. There is No Conflict Between the Second Circuit and Other Circuit Courts Regarding the "Per-CD Album" Calculation of Statutory Damages Under the Copyright Act.

Contrary to Petitioners argument, there is no split in the decisions of the Circuit Courts of Appeals regarding the calculation of statutory damages under the U.S. Copyright Act. In fact, the cases cited by Petitioners rely on the seminal Second Circuit case of *Twin Peaks Prods., Inc. v. Publn's Int'l Ltd.*, 996 F.2d 1366 (2d Cir. 2006).

Furthermore, Petitioners' assertion that the Second Circuit allegedly applied a so-termed "form of issuance" test in this case is incorrect. The Second Circuit interpreted the statutory language of the U.S. Copyright Act regarding the provision on statutory damages, considered the legislative history, and determined that, in connection with musical albums, Congress unambiguously provided for one (1) statutory award Per-CD Album as opposed to per-song or per-track. The Second Circuit's determination is consistent with other Court decisions dealing with this specific issue. No alleged "form of issuance" test was adopted by the

Second Circuit—which term was fashioned by Petitioners.

Federal Circuit

The *Walt Disney* case relied on by Petitioners involving infringement of Disney characters, actually rests on case law in the Second Circuit, and holds that only two (2) of the Disney characters—Mickey and Minnie—were infringed, despite the existence of six (6) copyrights of those characters in different poses. *Walt Disney Co. v. Powell*, 897 F.2d 565, 569-70 (Fed. Cir. 1990).

While noting that a copyright must, at a minimum, be a "viable work with separate economic value and copyright li[fe] of [its] own"—the Federal Circuit never expressly adopted this as a test for statutory damages. *Id.* at 570. And, since the *Walt Disney* case did not deal with musical recordings—which are completely different than graphical works—it is distinguishable and inapplicable.

The *Walt Disney* case rested on: (i) a Second Circuit case arising under the 1909 Copyright Act which—unlike the 1976 Act—permitted multiple awards for multiple infringements of the same work, and (ii) a decision of the Southern District Court of New York, which precluded recovery of multiple statutory awards for copyrighted graphics apart from the recording itself. *Id.* at 569 (discussing *Robert Stigwood Group, Ltd. v. O'Reilly*, 530 F.2d 1096 (2d Cir. 1976) and *RSO Records, Inc. v. Peri*, 596 F. Supp. 849 (S.D.N.Y. 1984)).

Because the *Walt Disney* decision was guided by Second Circuit case law, did not involve music recordings, and found only two (2) works infringed

for the purposes of statutory damages –despite Walt Disney's six (6) separate copyrights—it is not in conflict with the Second Circuit's decision in this action.

First Circuit

The First Circuit case of *Gamma Audio & Video, Inc. v. Ean-Chea*, 11 F.3d 1106 (1st Cir. 1993), similarly relies on Second Circuit case law—*Twin Peaks Prods. v. Publn's Int'l Ltd.*, 996 F.2d 1366 (2d Cir. 1993). *Gamma* at 1116. The *Gamma* case and *Twin Peaks* involved television series—not musical albums. Similar to *Twin Peaks,* the First Circuit Court granted four (4) statutory awards to Gamma, reasoning that each episode in a television series was produced independently, and aired independently on television. *Id.* at 1117-18.

In the case at bar, the Second Circuit addressed and distinguished *Twin Peaks*. App. 10-11. The Court noted that in *Twin Peaks* "the plaintiff could receive a separate award of statutory damages for each of the eight teleplays because the *plaintiff* had issued the works separately, as independent television episodes." App. 10-11 (citing *Twin Peaks* at 1381). *See also* App. 11 (distinguishing *WB Music Corp. v. RTV Commun. Group, Inc.*, 445 F.3d 538 (2d Cir. 2006), since the separately copyrighted songs were not included in a compilation by plaintiff). Whereas, in this action, the Court pronounced that "it is the copyright holders who issue their works as 'compilations' [and] chose to issue Albums." App. 10-11. As such, the *Gamma* decision, like *Twin Peaks* is similarly distinguishable.

Ninth and Eleventh Circuits in *Feltner*

Petitioners rely on two (2) related cases involving television shows like in *Gamma*— both of which apply the standard articulated by the Second Circuit in *Twin Peaks*.

In *Columbia Pictures Television v. Krypton Broadcasting of Birmingham, Inc.*, 106 F.3d 284 (9th Cir. 1997) defendant Feltner attempted to distinguish *Twin Peaks* by arguing that the television programs were "anthologies" or "collected works." *Id.* at 295. The Ninth Circuit rejected the argument, determining that "the evidence was uncontroverted that the episodes were broadcast over the course of weeks, months, or even years, and could be repeated and rearranged at the option of the broadcaster." *Id.* It held that "[b]ecause this evidence supports the conclusion that the episodes were 'not assembled into a collective whole,' it was not error for the district court to reject Feltner's contention that each series was a 'compilation' under § 504(c). *Id.*

In this action, unlike in *Columbia Pictures*, Petitioners' recordings were assembled into collective works or compilations—as the Second Circuit properly determined--and were not released by Petitioners as independent tracks. App. 10-11.

In the related case of *MCA Television Ltd. v. Feltner*, 89 F.3d 766 (11th Cir. 1996), the Eleventh Circuit, relying on *Gamma* and *Twin Peaks*, similarly determined that Feltner failed to demonstrate that each TV episode was part of a "collective work" since the series had individual plots and were not linked together into one cohesive story. *Id.* at 770.

In sum, Petitioners' reliance on completely distinguishable case law involving television programming is unavailing. Indeed, those cases are consistent with the Second Circuit's decision in *Twin Peaks*—on which the cases cited by Petitioners rested.

More pertinently, those cases involved TV shows and not musical compositions. As the Courts have recognized, television shows are separately produced, independently aired, and as such, are very different from the way musical albums or CDs are produced, released, and enjoyed by consumers. *See, e.g., MCA Television supra* at 769 ("Each [TV] episode was produced independently from the other episodes and each was aired independently from preceding and subsequent episodes."). As such different kinds of compilations are treated differently by the courts.

With respect to musical albums, the Courts have considered the exact issue at bar, and properly determined that the statutory language clearly requires a Per-CD Album application of statutory damages. In fact, the Second Circuit has never adopted the "independent economic value" test, and the application of this test by the *Feltner* Courts to cases involving TV episodes, not musical compositions, is unavailing and does not create a Circuit Court conflict.

B. The Copyright Act Expressly Provides for One Damages Award Per Compilation, and Thus Per CD Album.

Unlike the cases involving television series, those cases faced with the issue of whether to apply a Per-CD Album or per-song calculation of

statutory damages for infringement of *music recordings*, have determined that the express language of the Copyright Act requires the Per-CD Album standard applied in this case.

For example, in the pivotal case of *UMG Recordings, Inc. v. Mp3.com, Inc.*, 109 F. Supp.2d 223 (S.D.N.Y. 2000), relied on by the Second Circuit in this action, the Southern District Court of New York accurately rejected plaintiffs' argument Gloryvision makes here that the relevant "work" unit for the purpose of computing statutory damages in each individual copyrighted song on a CD, as opposed to each copyrighted CD as a whole. *Id.* at 224.

In that case, the District Court properly noted that "[t]his argument immediately encounters the objection that the very subsection of the Copyright Act that authorizes the award of statutory damages, § 504(c)(1), expressly states that: 'For the purposes of this subsection, all parts of a compilation or derivative work constitute one work.'" *Id.* (citing 17 U.S.C. § 504(c)(1)).

The *UMG* Court—like the Second Circuit in this case—properly considered Congressional intent, pointing to the House Report related to Section 504(c)(1)—which "makes clear . . . that although they are regarded as independent works for other purposes, 'all the parts of a compilation or derivative work constitute one work' for the purposes of determining an award of statutory damages." *Id.* at 225 (quoting H.R. Rep. No. 14765, 94th Cong., 2d Sess. 162).

In *UMG*, like Petitioners here, plaintiffs erroneously argued that "because each song on each CD has an 'independent economic value,' statutory

damages should be awarded for each song." *UMG* at 225. Like the Second Circuit in this case, the *UMG* Court rejected this argument, holding as follows:

> None of this is relevant in the face of the unequivocal statutory language. . . . [I]t is hard to see the appropriateness on an "independent economic value" test to statutory damages—as opposed to actual damages, for which every copyright holder remains free to sue on a "per-song" other than "per-CD basis." If such a test were applied, the result would be to make ***a total mockery of Congress' express mandate*** that all parts of a compilation must be treated as a single "work" for the purposes of computing statutory damages, since, as the House Report expressly recognizes, the copyrighted parts of a compilation will often constitute "independent works for other purposes."

Id. at 225 (emphasis added) (quoting H.R. Rep. No. 14765, 94th Cong., 2d Sess. 162).

Consistent with *UMG*, the Southern District Court of New York in *Country Road Music, Inc. v. Mp3.com, Inc.*, 279 F. Supp. 2d 325 (S.D.N.Y. 2003) rejected plaintiffs' disagreement with the "Court's repeated prior rulings that statutory damages should be calculated on a 'per-CD' and not a 'per-composition basis.'" *Id.* at 332 (citing *UMG* and *TeeVee Toons, Inc. v. Mp3.com, Inc.*, 134 F. Supp. 2d 546 (S.D.N.Y. 2001). Much like those cases, the *Country Road* Court acknowledged that "the Copyright Act unambiguously provides that a 'compilation,' although composed of 'separate and

independent works,' . . . 'constitutes one work' for purposes calculating statutory damages." *Id.* (quoting 17 U.S.C. §§ 101, 504(c)(1)). The Court concluded that "each CD that defendant copied to its servers constitutes one work and the basis for one statutory damage award, even though it might contain multiple copyrighted musical compositions." *Id.*

The Second Circuit in this action also considered the District of New Jersey case of *Arista Records, Inc. v. Flea World, Inc.*, 2006 U.S. Dist. LEXIS 14988 (D.N.J. Mar. 31, 2006), which is in agreement with the Second Circuit that the proper calculation of statutory damages for infringement of musical recordings is Per-CD Album not per-track, expressly rejecting the "independent economic value" test advocated by Gloryvision. *Id.* at *71, 73 (stating that "the Third Circuit never adopted the 'independent economic value test . . .'").

The *Arista* Court noted that the *UMG* and *Country Road* cases "are well reasoned" and decided that the District Court of New Jersey "will follow the rule established in them." *Id.* at *72. The Court similarly reasoned that "Plaintiffs' argument that statutory damages should be calculated on a 'per-song' basis runs afoul of the very subsection of the Copyright Act that authorizes the award of statutory damages." *Id.* at *72.

The Fourth Circuit came to a similar conclusion in *Xoom, Inc. v. Imageline, Inc.*, 323 F.3d 279 (4th Cir. 2003). The issue in Xoom was whether a plaintiff could obtain an award for the compilation, as well as an award for the underlying preexisting works contained therein, in which plaintiff also owned the copyright. *Id.* at 285. The

Fourth Circuit similarly answered in the negative stating that § 504(c)(1) only permitted one (1) award because plaintiff's registration of the infringed product covered the product in its entirety and the underlying preexisting works contained therein. *Id.* Thus, the Court concluded that a plaintiff, holding a copyright in a compilation, could only receive one (1) award of statutory damages for copyright infringement of that compilation. *Id.*

Petitioners wrongfully maintain that the foregoing cases cited by the Second Circuit are purportedly distinguishable because there was allegedly no "separate and discrete infringement of the individual songs on the CDs." However, this is not clear. For example, in *Country Road*, defendant Mp3.com copied plaintiffs' CDs to its servers and permitted users of its website "to listen to the songs stream over the Internet." *Country Road*, 279 F. Supp. 2d at 331. The Court nonetheless determined that "each CD that defendant copied to its servers constitutes one work." *Id.* at 332.

Petitioners' discussion of a hypothetical involving the *Rocky* series motion pictures is not compelling and distinguishable. Again, the case at bar involves musical albums produced as compilations —not separate movie series subsequently boxed together. Petitioners never published the individual Album songs separately, and as such, they would not be entitled to a separate statutory award for each song—even under the test they advocate.

In each of the cases above cited by the Second Circuit, plaintiffs requested what Petitioners seek in this case—application of a separate statutory

damages award per each song. In each instance, the Courts noted that such methodology was at odds with the express mandates of Congress in the Copyright Act. The Second Circuit in this action dedicated a great deal of its memorandum in decision to the issue of the proper calculation of statutory damages for musical compositions to ward-off repeated rejected attempts by plaintiffs to advocate the "independent economic viability" test to enhance their measure of statutory damages.

In sum, there is no split in the Courts' decisions regarding television programming, and no conflict in the cases involving musical compositions. Those cases which dealt with musical albums or CDs—namely in New York and New Jersey—have consistently applied the Per-CD Album calculation of statutory damages for infringement.

C. Evolution of Digital Technology Does Not Warrant Disregarding Express Statutory Text and Clear Congressional Intent.

Petitioners make repeated references to the availability of digital music on the Internet and evolution of digital technology. However, as the Second Circuit correctly pointed out—these are not compelling reasons to dispense with the express directives of Congress that each compilation constitutes one work for statutory damages, and disregard legislative intent.

As the *UMG* Court powerfully stated:

> When Congress speaks, the courts must listen: so our constitution mandates. When, as here, Congress' statement is clear, to disregard that message would be

> nothing less than an ***unconstitutional arrogation of power by the judiciary. The Court declines plaintiffs' invitation to tread the treacherous path***.

UMG Recordings, 109 F. Supp.2d at 225 (emphasis added).

CONCLUSION

Petitioners have not established any compelling reason for this Court to grant the Petition. Therefore, Respondents respectfully request that the Petition be denied in its entirety.

Respectfully submitted,

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